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BACK TO THE FUTURE
Bulgarian Farmland Reform
A Challenge for Extension
by
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1989, a crucial year for most of central and eastern Europe, brought convulsive change to the Bulgarian agricultural sector. Bulgaria's centrally planned economy, under the direction of the national and ultimately the Soviet Communist Party, collapsed. Bulgarian agriculture was forced to address the question - "Do we privatize this industry and if so when and how?" Bulgaria chose a unique path to private agriculture.

Agricultural Foundation

Bulgaria has a total land area of approximately 47,000 square miles (Ohio has 41,000). There are about 10 million acres of cropland in both Bulgaria and Ohio. The mix,however, is different because of climatic and topographical differences. Corn and soybeans are the major crops in Ohio, ~~while~~ small grains dominate the landscape of rural Bulgaria. Much of the cultivated land in Bulgaria is rolling hill land. In Ohio this type of land has reverted to pasture and/or trees. Large productive river valleys in central and northern Bulgaria are in the 100 to 300 foot elevation range and the highest points in the country exceed 10,000 feet. The elevation of Ohio ranges between 600 and 1600 feet. Bulgaria is essentially at the same latitude as Ohio, but the climate is quite different, particularly during the growing season. Most moisture

comes during the fall, winter, and spring. Very little rainfall comes during the summer growing months. A dry mediterranean summer necessitates irrigation if summer grains, fruits and vegetables are to be grown successfully in Bulgaria.

Farm History

At the end of World War II nearly 2/3's of Bulgarian labor worked on extended-family farms that averaged less than 50 acres each. Peasant agriculture, except for remnants of feudal estates in northeastern Bulgaria, dominated the scene. Farming methods were rudimentary, relying mostly on hand and animal power. Most land was privately owned with recorded deeds. Farmers were productive and knew how to earn a living from small-scale agriculture. They were technically competent and exported management and production skills. Neighboring Balkan and central European countries traditionally looked to "Bulgarian Gardeners" for instruction and demonstration on successful small-farm agriculture.

1946 saw the beginning of forced collectivization under the new Bulgarian communist government, with enactment of the Agrarian Reform Law. Land ownership was limited to approximately 75 acres in the mountainous areas and 50 acres in the valleys. The rest was expropriated. Farmers were "encouraged" to pool their land and other assets into community "cooperative farms." By the mid-1950's "voluntary pooling" was replaced by "forced cooperation." Typical villages operated 1500 to 2000 acre cooperative farms. Landowners

received rent for the land they contributed to the community farm. Other assets such as livestock, feed, and equipment were simply donated to the co-op, duly recorded however.

Beginning in the mid-1960's, several villages were grouped into larger operating units. Rents for land "brought" to the co-ops were discontinued and farmers became "state employees." The larger production units continued to be combined into yet larger units, gradually increasing to 50,000 acres. By the 1970's some of the largest agro-industrial complexes (TKZC's) had reached 250,000 acres. Large scale animal production centers associated with each TKZC replaced the small livestock enterprises maintained by each farm family in the past. Large fields were organized ~~necessary~~ to permit use of high capacity modern machinery. Small-scale agriculture was a thing of the past. As ~~the~~ generations past, those working on the farms lost the store of small-farm experience and knowledge that came with the early "cooperators." The farm labor force changed from "true farmers" to part-time, seasonal, retired state employees and forced labor brigades, with less than a personal interest in the physical or financial success of the farm.

In November of 1989, the communist dictator who had controlled Bulgaria for 35 years was ousted from power. Free elections in the spring 1990 replaced the Party with a democratic Parliament. The new government continues to evolve toward a less socialistic stance, although slower than western advisors would like. A

multitude of hastily formulated laws were enacted to facilitate market reforms deemed necessary to move Bulgaria toward privatization. Land reform was one of those laws.

The Land Law

Land is a special commodity in the hearts and minds of Bulgarians. It ~~Land~~ is limited but remember there is more land, even more tillable land, per person in Bulgaria than in Ohio. The long history of Bulgaria, counted in millennia, creates a sense and meaning of land ownership difficult for most Americans to associate with. The attachment is largely emotional. Other than family and possibly education, there is little that has more value than ancestral land. It was important, politically and socially to deal with the land question very early in the transformation period.

Early in 1991, less than a year after installing the new government, the land issue was addressed. The Law for Land Ownership and Use was passed. A series of amendments were enacted a year later, removing many of the initial restrictions on land transfer and use. TKZC's were to be abolished and assets were returned to individual claimants. The core provision of the law required that land be returned to original owners, or their heirs, as defined by the 1946 Agrarian Reform Law. Herein Bulgaria goes back to its future.

Land is being restituted, if possible, within the "real (actual

1946) boundaries". The small dispersed fields of 1946 are now likely split by one or two more generations of "new owners" and property comes to a new owner through marriages that combine ownership from a wide geographic area. Let's look at a representative real situation, that of Stoichko Georgiev Chevenyachki, a "new" Bulgarian farmer.

A Real Situation

Stoichko's land is located near his ancestral village of Pastoohe. He is ex-mayor of the village but lives and works as a teacher in the near-by city of Stanke Dimitrov. His portion of his grandfathers' (9.68 acres in 14 different parcels) land has been restituted (retitled) to him. None of the parcels is next to the another.

1.98 acres	2.47 acres	.25 acres
.62 acres	.74 acres	.12 acres
.62 acres	.12 acres	.49 acres
.05 acres	.67 acres	.49 acres
.07 acres	.99 acres	

The fundamental question that Stoichko and others like him have is - "What do I do with this land?" Multiple concerns are imbedded in this basic question. First, and most obvious to Stoichko, is deciding what to plant on his recently restituted land. Second, and of great concern, is how much to produce. Beyond Stoichko's

concern to produce enough food for his family, is where and how to sell excess production. Organized markets, for the most part, are a thing of the past. Third, and fundamentally more difficult to answer, is how to produce. The art and science of small-scale agriculture has largely been lost through attrition. Beyond the lack of capital to purchase traditional inputs (fertilizer,seeds, chemicals, and machinery) is the lack of training and experience in proper use. Technologies that TKZC agronomists and managers were trained to use, upon which farm production systems were dependent, are for the most part not available to new farmers like Stoichko. Modern technology on the new farm is limited. Farmers are not only faced with returning to small-scale production but to the production methods of their grandfathers. Fourth, Stoichko struggles with how to combine his fields into larger more efficient units.

The Opportunity

Today's global marketplace and recently completed GATT and NAFTA agreements have focused national thinking on the movement of labor, capital, and hard goods in the trade arena. We have overlooked our most sought after commodity - EDUCATION. Developing economies, now more particularly those of Eastern Europe and others emerging from the shackles of communism, just can't get enough of this U.S. product. The preference for a U.S. education is clear, not withstanding the long history of academic excellence in Western Europe. It is not just the store of knowledge and experience at our

universities that is so desired, but it's form and substance.

The propensity of our American education system to focus upon people where they live, forces it to deal with everyday problems, large and small, and make it responsive to the needs of people. People endeavoring to improve their socio-economic well-being by better utilization of what they have, including of course their most valuable asset themselves. The success of our great Land-Grant and Extension Institutions, founded on this very principle, is testamentary evidence of what the world wants most from the U.S.

The form and substance of U.S. extension education is world renown. It helped American agriculture address and solve uncountable problems during its transition from subsistence to a commercial agriculture that is the envy the world. Its form, beginning with a problem of people, subjecting the problem to research and scientific methodology, developing and delivering a research-based educational program to address the problem, and following up with impact assessments, is what "transition" economies need and want. Much of the physical science substance needed for effective extension education in Bulgaria already exists. The underlying substance of economic principles to implement "management" thinking and the use of educational methodology appropriate to teach non-traditional students how to solve problems is, for the most part, missing. U.S. style extension education has demonstrated a masterful ability to do both.

Challenge for Extension

The question is not "Why or should U.S. Extension be in Bulgaria?" That question has been answered. "We hereby offer the services of the Land Grant institutions and their nationwide staffs and experience in research, teaching, and extension as a solution to the troubled areas of the world in their quest for more and better food, and better clothing and housing for their people." A quote from John A. Hannah, president, Michigan State College and president, Association of Land-Grant Colleges and Universities, in a letter to President Harry S. Truman. The question is how, not why. How can we help Stoichko?

The "how" question, with respect to Bulgaria, was answered by an agreement between the Bulgarian Ministry of Agriculture and the USDA Extension Service/International Programs office, in the form of the Bulgarian/American Extension Project. It was funded to assist the Bulgarian agricultural community with the many questions associated with "privatizing" Bulgarian agriculture. The project had two broad objectives: 1) to demonstrate, through action, what a "U.S. style" extension organization could be and do in Bulgaria and 2) to help farmers and agri-business managers understand and apply "free-market" economic principles as they adjust to their new economic environment.

Three teams of two American Extension Advisors, arriving in Bulgaria in April 1993, were strategically located throughout the

country. One team, stationed in Plovdiv, the heartland of central valley agriculture, worked intensively with farmers and agri-businesses "privatizing" cooperative vegetable production and marketing. The second team, located in Gorno Oryakhovitsa, a center of Danubian plain agriculture in north central Bulgaria, worked closely in privatizing seed and fruit producers and processors. A third team was positioned in Kyustendil to assist with problems encountered in privatizing mountain/valley fruit production in western Bulgaria. Each U.S. team consisted of a qualified experienced county agent and an equally qualified state extension specialist. County agent team members came from Kentucky, Florida, and Michigan. State specialists came from Arkansas, Ohio, and North Carolina. U.S. advisors worked collaboratively with a Bulgarian counterpart team at respective locations.

The challenge each joint team faced, in it's broadest definition, was to develop and deliver an effective extension education program that would assist local decision-makers with a "real" problem in their community. After listening intently to farmers, agri-business managers, liquidation committees, researchers, educators, and government officials it became apparent to the Kyustendil team that its challenge was to effectively address the land problem. Stoichko's problem was real, it was serious, and nearly everyone had the same problem. Assisting with solution and understanding would enable the team to demonstrate effective extension education and improve decision-makers' understanding and use of free-market

economic principles. The other teams addressed equally serious issues at their respective locations. The Kyustendil team consisted of Allan Lines (state specialist - Ohio), Larry Halsey (county agent - Florida), Snejana Saeva (economist - Kyustendil), Veslava Popova (interpreter - Kyustedil), and Iliana ?????????? (coordinator - Kyustendil).

Addressing Stoichko's Problem

The arduous problem identification process focused the team on specific aspects of the larger problem to allow for an effective extension education program. Underneath Stoichko's inability to deal with many his questions was an lack of fundamental enterprise budgeting and asset valuation skills. Both were sorely needed to enable him to find solutions to his problems. The Bulgarian team members were deficit in these skills, as well. Economic efficiency and profit were not part of the Bulgarian lexicon. The training program would also serve to leave a trained counterpart team in place to continue the educational program.

The foundation for the extension education program was the development of enterprise budgets using "western" economic principles. A clear understanding of variable, fixed, cash, non-cash, and opportunity costs was fundamental to the success of the program and would go a long way to help Stoichko solve his problem. The most difficult element of the budgeting exercise was the collection of "representative" yield, input, and price data.

Reliable research data on small farm agriculture was non-existent. Credible estimates were garnered and verified from traditional extension sources - practicing new farmers, experienced agronomists, educators, researchers, and the agri-business community. Bulgarian team members resisted at first, but soon eagerly adopted extension's model of collecting, verifying, and using data from the "real world" for economic decision-making. Weaning themselves from "official" data for economic planning was a major step forward for the Bulgarians.

The second budgeting challenge dealt with fixed costs. Identification and determination of fixed costs from a "private" perspective was eye-opening for the Bulgarians. In the past, fixed costs were "public" costs that never entered into the "production" decisions. The extension team, again with a great deal of assistance, was able to generate reasonable estimates of fixed costs for enterprises being considered. Learning how and when to correctly include fixed costs in private profit oriented short and long run decisions was new thinking in Bulgaria. This new skill improved Stoichko's ability to address his problems.

The budgeting exercise added a completely new economic concept, opportunity cost, into Bulgarian economic problem solving process. Generally accepted economic thinking included only items that money was spent on. The idea of charging oneself for the use of self-supplied, owned, equity, or alternative use resources was completely foreign. Interest on loans was included but the

"opportunity cost" of using one's own money and assets was not part of the equation. Inclusion of this concept was critical if Stoichko and others were to be able to successfully address the land fragmentation problem created by the new law.

Before Stoichko and others can address the fragmented land problem, some sense of land value is necessary. At village meetings farmers would often say, "I would like to rent the field next me but the owner wants too much money." Risk-based total cost budgeting, an integral part production and marketing decisions, facilitated discussions between neighboring new land owners about the "economic" rather than "emotional" value of farmland. Being able to calculate a reasonable land rent, and more importantly understanding how to do it, was a necessary first step for improving economic efficiency by combining small fields.

Reasonable rent calculations provided a foundation for establishing an value for farmland that was derived from the economics of production rather than from emotional attachment. When asked, landowners would often say they wouldn't sell their land for less than 100,000 levs per dekar ($15,000 per acre) or rent it to a neighbor for less than 1000 levs per dekar ($145 per acre). The extension education program described above helped Stoichko and others realize that free-market economic values were closer to $30 (rent) and $600 (sale) per acre. It helped separate emotions and economics in the embryonic, if not non-existent, Bulgarian land market. It helped Bulgarian agriculture find its future through its past.